

ORIGINAL NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

2010 JUL -9 A 11: 20

DOCKETED

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

AZ CORP COMMISSION
DOCKET CONTROL

JUL -9 2010

DOCKETED BY

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In the matter of:

LAMEL G. YOUNG, aka Mel Young,
individually and doing business as Powerball
Records & Entertainment and JANE DOE
YOUNG,

Respondents.

DOCKET NO. S-20749A-10-0279

**TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY

EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondent LAMEL G. YOUNG, aka Mel Young, individually and doing business as Powerball Records & Entertainment is engaging in or is about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act"), and that the public welfare requires immediate action.

I. JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II. RESPONDENT

2. LAMEL G. YOUNG, aka Mel Young, individually and doing business as Powerball Records & Entertainment ("YOUNG") is an individual residing in Maricopa County, Arizona.

3. JANE DOE YOUNG has been at all relevant times the spouse of Respondent YOUNG (JANE DOE YOUNG may be referred to as "Respondent Spouse"). Respondent Spouse

1 is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of
2 the marital community.

3 4. At all relevant times, YOUNG has been acting for his own benefit and for the benefit
4 of or in furtherance of the marital community.

5 III. FACTS

6 5. On or about May 10, 2010, YOUNG posted an advertisement for an investment
7 opportunity on the Internet through phoenix.craigslist.org. The advertisement was available for all
8 internet users to view without password protection. The craigslist advertisement was posted to the
9 Phoenix, Arizona section of the website.

10 6. The advertisement was titled "Hip Hop Music Label Seeks Investors."

11 7. On or about May 11, 2010, as a result of seeing the advertisement on craigslist, an
12 Arizona resident contacted YOUNG via e-mail.

13 8. On or about May 11, 2010, the Arizona resident received an e-mail from YOUNG
14 wherein YOUNG stated:

15 "Thanks you for your responds, what i am looking for is a investor
16 partner not a secured loan. I will provide a business plan and future
17 revenue projections at your request. This is a real opportunity to triple
18 your money off the music publishing alone, I will say this for any
investor I will buy your share of my company backat four times your
investment." (sic)

19 9. On or about May 21, 2010, the Arizona resident received another e-mail from
20 YOUNG attaching a fourteen page business plan for Powerball Records & Entertainment ("PRE").

21 10. The first page of the business plan indicates that the plan was written by LaMel
22 Young.

23 11. The business plan describes YOUNG as PRE's chairman and CEO who has created,
24 produced written and marketed music for over fifteen years. According to the business plan,
25 YOUNG's experience as a record producer, who has worked with many national recording artists,
26 will enable PRE to generate revenue immediately.

1 12. Included in the business plan is a mission statement setting forth the following:

2 “PRE will capitalize on the billion dollar Hip Hop urban entertainment
3 market across the world through the production and promotion of high
4 quality entertainment. Located in Phoenix, Arizona, the company will
5 become highly profitable through the sale of pre-recorded music
6 product (digital downloads compact discs), in addition to revenues
7 generated from ancillary profit centers. PRE will own and control the
8 masters (master copies), copyrights and licenses of its product, which
9 will enable PRE to create immediate revenue streams while growing
10 its music catalog into a multi-million dollar asset.”

11 13. Projections contained in the business plan indicate that PRE will reach positive cash
12 flow in the twenty-third month of operations while netting profits of \$400,000 in 2013-14 and
13 \$800,000 in 2015-16.

14 14. According to the Executive Summary section of the business plan, PRE is seeking
15 \$50,000 in “equity investment capital” to be used to fund project production budgets and multi-
16 faceted marketing and promotion budgets. The Summary further states, “A linked offering
17 composed of common stock, preferred stock and debentures is being offered by PRE.”

18 15. A section of the business plan titled, “The Financial Plan” sets forth that a 13%
19 dividend will be paid to investors holding preferred stock.

20 16. On June 30, 2010, the Arizona resident met with YOUNG who confirmed that the
21 investor was only responsible for investing funds and would not be involved in any of the
22 operations of PRE. He further stated to the Arizona resident that the investment would be repaid
23 within twenty four months.

24 17. At all times relevant, YOUNG has not been registered as a salesman or dealer.

25 IV. VIOLATION OF A.R.S. § 44-1841

26 (Offer and Sale of Unregistered Securities)

 18. From on or about May 10, 2010, YOUNG has been offering or selling securities in
 the form of investment contracts and/or stock, within or from Arizona.

1 19. The securities referred to above are not registered pursuant to Articles 6 or 7 of the
2 Securities Act.

3 20. This conduct violates A.R.S. § 44-1841.

4 **V. VIOLATION OF A.R.S. § 44-1842**

5 **(Transactions by Unregistered Dealers or Salesmen)**

6 21. YOUNG is offering or selling securities within or from Arizona while not registered
7 as a dealer or salesman pursuant to Article 9 of the Securities Act.

8 22. This conduct violates A.R.S. § 44-1842.

9 **VI. TEMPORARY ORDER**

10 **Cease and Desist from Violating the Securities Act**

11 THEREFORE, based on the above allegations, and because the Commission has determined
12 that the public welfare requires immediate action,

13 IT IS ORDERED, pursuant to A.R.S. § 44-1972(C) and A.A.C. R14-4-307, that YOUNG,
14 his agents, servants, employees, successors, assigns, and those persons in active concert or
15 participation with him CEASE AND DESIST from any violations of the Securities Act.

16 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in
17 effect for 180 days unless sooner vacated, modified, or made permanent by the Commission.

18 IT IS FURTHER ORDERED that this Order shall be effective immediately.

19 **VII. REQUESTED RELIEF**

20 The Division requests that the Commission grant the following relief:

21 1. Order YOUNG to permanently cease and desist from violating the Securities Act,
22 pursuant to A.R.S. § 44-2032;

23 2. Order YOUNG to take affirmative action to correct the conditions resulting from his,
24 practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

25 3. Order YOUNG to pay the state of Arizona administrative penalties of up to five
26 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order that the marital community of YOUNG and Respondent Spouse is subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and

5. Order any other relief that the Commission deems appropriate.

VIII. HEARING OPPORTUNITY

Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-4-307. **If Respondent or Respondent Spouse requests a hearing, the requesting respondent must also answer this Temporary Order and Notice.** A request for hearing must be in writing and received by the Commission within 20 days after service of this Temporary Order and Notice. The requesting respondent must deliver or mail the request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp.

If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary Order shall remain effective from the date a hearing is requested until a decision is entered.** After a hearing, the Commission may vacate, modify, or make permanent this Temporary Order, with written findings of fact and conclusions of law. A permanent Order may include ordering restitution, assessing administrative penalties, or other action.

If a request for hearing is not timely made, the Division will request that the Commission make permanent this Temporary Order, with written findings of fact and conclusions of law, which may include ordering restitution, assessing administrative penalties, or other relief.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Shaylin A.

Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.

Requests should be made as early as possible to allow time to arrange the accommodation.

IX. ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if Respondent or Respondent Spouse requests a hearing, the requesting respondent must deliver or mail an Answer to this Temporary Order and Notice to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Temporary Order and Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.azcc.gov/divisions/hearings/docket.asp.

Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to William W. Black.

The Answer shall contain an admission or denial of each allegation in this Temporary Order and Notice and the original signature of the answering respondent or the respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

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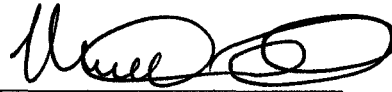
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2 The officer presiding over the hearing may grant relief from the requirement to file an
3 Answer for good cause shown.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 9th day of July,
5 2010.

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7 Mark Dinell
8 Assistant Director of Securities
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